

**VILLAGE OF STANWOOD**  
**MECOSTA COUNTY, MICHIGAN**  
**AUDIT REPORT**  
**MARCH 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF STANWOOD	County MECOSTA
Fiscal Year End MARCH 31, 2006	Opinion Date SEPTEMBER 7, 2006	Date Audit Report Submitted to State SEPTEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

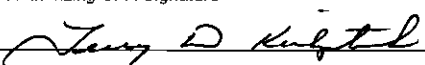
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Terry Kirkpatrick, CPA, P.C.		Telephone Number 231-796-3332		
Street Address 211 MAPLE STREET		City BIG RAPIDS	State MI	Zip 49307
Authorizing CPA Signature 		Printed Name Terry D. Kirkpatrick		License Number 18035

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## **Independent Auditor's Report**

To the Village Council of the  
Village of Stanwood, Mecosta County, Michigan:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Stanwood, Mecosta County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Village of Stanwood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Village of Stanwood, Mecosta County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Stanwood, Mecosta County, Michigan, as of March 31, 2006, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Stanwood has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2006. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Stanwood, Mecosta County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan  
September 7, 2006

## ***BASIC FINANCIAL STATEMENTS***

VILLAGE OF STANWOOD – Mecosta County, Michigan  
Government Wide Statement of Net Assets  
March 31, 2006

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	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 79,252
Capital Assets - Net of Depreciation	<u>49,324</u>
Total assets	<u>\$ 128,576</u>
NET ASSETS	
Invested in Capital Assets- Net of Debt	\$ 49,324
Unrestricted	<u>79,252</u>
Total net assets	<u>\$ 128,576</u>

The "Notes to Financial Statements" are an integral part of these statements.

**VILLAGE OF STANWOOD – Mecosta County, Michigan**  
Government Wide Statement of Activities  
For the Year Ended March 31, 2006

	<u>Program Revenues</u>			<u>Governmental Activities</u>	
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Net (Expense)</u>	<u>Revenue and Changes in Net Assets</u>
<u>Expenses</u>					
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government					
Public Safety	\$ 13,728	\$ 1,139	\$ 0	\$ (12,589)	
Public Works	639	0	0	(639)	
Cultural and Recreation	30,255	0	0	(30,255)	
Other Functions	7,702	0	0	(7,702)	
Depreciation (unallocated)	7,346	0	0	(7,346)	
	1,650	0	0	(1,650)	
Total governmental activities	\$ 61,320	\$ 1,139	\$ 0	\$ (60,181)	
General Revenues					
Property Tax					24,084
State Shared Revenue					40,971
Interest and Dividends					1,958
Other Revenue					171
Total general revenues					67,184
Change in Net Assets					7,003
Net assets - April 1, 2005					121,573
Net assets - March 31, 2006					\$ 128,576

The "Notes to Financial Statements" are an integral part of these statements.

***GOVERNMENTAL FUND FINANCIAL STATEMENTS***



VILLAGE OF STANWOOD – Mecosta County, Michigan  
 Governmental Fund Balance Sheet  
 March 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 69,741	\$ 6,619	\$ 2,892	\$ 79,252
LIABILITIES AND FUND EQUITY				
Fund Balance - Unreserved and Undesignated	\$ 69,741	\$ 6,619	\$ 2,892	\$ 79,252
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets				
Total Governmental Fund Balances				\$ 79,252
Amounts reported for governmental activities in the statement of net assets are different because:				
Cost of capital assets, net of depreciation				49,324
Net assets of governmental activities				\$ 128,576

The "Notes to Financial Statements" are an integral part of these statements.

**VILLAGE OF STANWOOD – Mecosta County, Michigan**  
 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Year Ended March 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>REVENUES</b>				
Property Tax	\$ 24,084	\$ 0	\$ 0	\$ 24,084
State Grants	20,957	12,814	7,200	40,971
Charges for Services	1,139	0	0	1,139
Interest and Dividends	1,958	0	0	1,958
Other Revenue	171	0	0	171
Total revenues	48,309	12,814	7,200	68,323
<b>EXPENDITURES</b>				
General Government	13,728	0	0	13,728
Public Safety	639	0	0	639
Public Works	8,741	11,660	9,854	30,255
Culture and Recreation	7,702	0	0	7,702
Other Functions	7,346	0	0	7,346
Capital Outlay	12,276	0	0	12,276
Total expenditures	50,432	11,660	9,854	71,946
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,123)	1,154	(2,654)	(3,623)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	5,000	5,000
Transfers Out	2,500	2,500	0	(5,000)
Total other financing sources (uses)	(2,500)	(2,500)	5,000	0
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(4,623)	(1,346)	2,346	(3,623)
Fund Balance - April 1, 2005	74,364	7,965	546	82,875
Fund Balance - March 31, 2006	\$ 69,741	\$ 6,619	\$ 2,892	\$ 79,252

The "Notes to Financial Statements" are an integral part of these statements.

# VILLAGE OF STANWOOD – Mecosta County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2006

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Net Change in Fund Balances - Total Government Funds	\$	(3,623)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay	12,276
Depreciation expense	<u>(1,650)</u>

Change in Net Assets of Governmental Activities	\$	<u>7,003</u>
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The "Notes to Financial Statements" are an integrated part of these statements.

***PROPRIETARY FUND FINANCIAL STATEMENTS***

VILLAGE OF STANWOOD – Mecosta County, Michigan  
 Proprietary Fund Statement of Net Assets  
 March 31, 2006

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	Internal Service Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 7,421
Non-current Assets	
Capital assets (Net of depreciation)	39,825
Total assets	<u>\$ 47,246</u>
NET ASSETS	
Invested in Capital Assets - Net of Debt	\$ 39,825
Unrestricted	7,421
Total net assets	<u>\$ 47,246</u>

The "Notes to Financial Statements" are an integral part of these statements.

VILLAGE OF STANWOOD – Mecosta County, Michigan  
 Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets  
 For the Year Ended March 31, 2006

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	Internal Service Fund
Operating Revenues	
Equipment rental	\$ 9,632
Operating Expenses	
Salaries and wages	2,561
Operating supplies	2,702
Repair and maintenance	796
Total operating expenses	<u>6,059</u>
Operating Income (Loss)	3,573
Non-Operating Revenues (Expenses)	
Interest Revenue	<u>3</u>
Change in Net Assets	3,576
Total Net Assets- April 1, 2005	<u>43,670</u>
Total Net Assets- March 31, 2006	<u><u>\$ 47,246</u></u>

The "Notes to Financial Statements" are an integral part of these statements.

VILLAGE OF STANWOOD – Mecosta County, Michigan  
Proprietary Fund Statement of Cash Flows  
For the Year Ended March 31, 2006

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	Internal Service Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Internal Activity- Receipts from Other Funds	\$ 9,632
Salaries and Wages Paid	(2,561)
Payments to Suppliers	(3,498)
Net cash provided (used) by operating activities	<hr/> 3,573
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends	<hr/> 3
Net increase (decrease) in cash and cash equivalents	3,576
Balances- April 1, 2005	<hr/> 3,845
Balances- March 31, 2006	<hr/> <u>\$ 7,421</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided	
(Used) by Operating Activities	
Operating Income (Loss)	<hr/> <u>\$ 3,573</u>

The "Notes to Financial Statements" are an integral part of these statements.

## ***NOTES TO FINANCIAL STATEMENTS***



## VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements  
For the Year Ended March 31, 2006

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Stanwood conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Stanwood:

#### Reporting Entity

The Village is governed by an elected, five-member, Council. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Village does not contain any component units.

#### Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

**District-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be “available” if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**Property taxes** – Village of Stanwood’s property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property located within Village of Stanwood as of the preceding December 31<sup>st</sup>.

## VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements - Continued  
For the Year Ended March 31, 2006

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Although the Village of Stanwood 2005 ad valorem tax is levied and collectible on July 1, 2005, it is Village of Stanwood's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of Village of Stanwood totaled approximately \$2,592,867, on which ad valorem taxes levied consisted of 9.2908 mills for the Village operating purposes. These amounts are recognized in the respective General Fund financial statements as delinquent personal tax and/or as a tax revenue.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted-for in another fund.

The Major and Local Street Funds account for activities of the street improvements.

Additionally, the Village reports the following non-major fund types:

The Village reports a Revolving Equipment Fund. This fund accounts for equipment rental to various Village funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

### **Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and are considered delinquent on October 1<sup>st</sup>, at which time interest and penalties are assessed.

**Capital Assets** – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	3 years to 10 years
Equipment	5 years to 10 years

## VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements - Continued  
For the Year Ended March 31, 2006

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Village have its budget in place by April 1<sup>st</sup>. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a Village to amend its budgets during the year.

### NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village has designated two banks for the deposit of Village funds. The investment policy adopted by the Village Council in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 86,673

The bank balance of the primary government's deposits is \$90,500, of which \$90,000 is covered by federal depository insurance.

# VILLAGE OF STANWOOD – Mecosta County, Michigan

Notes to Financial Statements - Continued  
For the Year Ended March 31, 2006

## NOTE D – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	4/1/05 Beginning Balance	Increases	Decreases	3/31/06 Ending Balance
Capital assets not being depreciated				
Land Improvements	\$ 25,196	\$ 0	\$ 0	\$ 25,196
Capital assets being depreciated				
Buildings	54,006	0	0	54,006
Sidewalks	0	12,276	0	12,276
Less Accumulated depreciation for Capital assets	(40,504)	(1,650)	(0)	(42,154)
Net capital assets	\$ 38,698	\$ 10,626	\$ 0	\$ 49,324

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

## NOTE E – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Village has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF STANWOOD – Mecosta County, Michigan

## Budgetary Comparison Schedule

### General Fund

For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 74,364	\$ 74,364	\$ 74,364	\$ 0
Resources (inflows)				
Property Taxes	21,800	21,800	24,084	2,284
State Grants	22,490	22,490	20,957	(1,533)
Charges for Services	0	0	1,139	1,139
Interest and Dividends	0	0	1,958	1,958
Other Revenue	0	0	171	171
Amounts Available for Appropriation	118,654	118,654	122,673	4,019
General Government				
Village Council	11,035	11,035	3,420	7,615
Elections	1,000	1,000	0	1,000
Clerk	3,035	3,035	3,581	(546)
Treasurer	1,685	1,685	2,311	(626)
Village Hall	0	0	4,416	(4,416)
Public Safety				
Liquor law enforcement	680	680	639	41
Public Works				
Street lighting	6,550	6,550	8,741	(2,191)
Culture and Recreation				
Parks	10,000	10,000	7,702	2,298
Other Functions				
Insurance and Bonds	4,800	4,800	5,287	(487)
Social security/ medicare tax	1,960	1,960	2,059	(99)
Capital outlay	12,000	12,000	12,276	(276)
Transfer to Local Street Fund	4,500	4,500	2,500	2,000
Total Charges to Appropriations	57,245	57,245	52,932	4,313
Budgetary Fund Balance - March 31, 2006	\$ 61,409	\$ 61,409	\$ 69,741	\$ 8,332

VILLAGE OF STANWOOD – Mecosta County, Michigan  
 Budgetary Comparison Schedule  
 Major Street Fund  
 For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 7,965	\$ 7,965	\$ 7,965	\$ 0
Resources (inflows)				
State Grants	14,000	14,000	12,814	(1,186)
Amounts Available for Appropriation	21,965	21,965	20,779	(1,186)
Charges to Appropriations (outflows)				
Public Works				
Highways, Streets, and Bridges	13,072	13,072	11,660	1,412
Transfer to Local Street Fund	2,500	2,500	2,500	0
BUDGETARY FUND BALANCE - March 31, 2006	\$ 6,393	\$ 6,393	\$ 6,619	\$ 226

# VILLAGE OF STANWOOD – Mecosta County, Michigan

## Budgetary Comparison Schedule

### Local Street Fund

For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 546	\$ 546	\$ 546	\$ 0
Resources (inflows)				
State Grants	6,900	6,900	7,200	300
Transfer from General Fund	0	0	2,500	2,500
Transfer from Major Street Fund	2,500	2,500	2,500	0
Amounts Available for Appropriation	9,946	9,946	12,746	2,800
Charges to Appropriations (outflows)				
Public Works				
Highways, Streets, & Bridges	22,670	22,670	9,854	12,816
BUDGETARY FUND BALANCE - March 31, 2006	\$ (12,724)	\$ (12,724)	\$ 2,892	\$ 15,616



**TERRY KIRKPATRICK, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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FAX (231) 796-5554

September 7, 2006

Members of the Village Council  
Village of Stanwood  
Mecosta County, MI

We recently completed our audit of the basic financial statements of the Village of Stanwood for the year ended March 31, 2006. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Village. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

**STREET FUNDS NEED OWN BANK ACCOUNT**

The Major and Local Street Fund should be separated from the General Fund bank account. Major and Local Street monies may be in one bank account together, but not included in with other funds. The Village Treasurer should open a new bank account that will handle the receipts and disbursements of the Major and Local Street Funds. These two funds may each have its own bank account or the two may be included together in one account.

**BANK STATEMENTS AND CANCELLED CHECKS**

The Treasurer was not able to locate any cancelled checks for the Village checking account. In addition, three of the checking account bank statements were missing. We did get a copy of the three missing bank statements from the bank, but getting copies of the cancelled checks would be cost prohibitive.

The Treasurer should not separate the bank statements from the cancelled checks and all should be filed in a safe location intact. The cancelled check is a very important piece of evidence supporting disbursements and should not be discarded.

**LOCAL STREET BUDGET**

The budget for the Local Street Fund estimated revenues at \$ 10,400 and expenditures at \$ 22,670. For this budget to balance it would require that the Local Street Fund have a fund balance of at least \$ 12,270, but the fund balance was only a little over \$ 500. This would have resulted in a deficit fund balance for the Local Street Fund. The "actual" numbers did not result in fund balance deficit, but more care needs to be taken in preparing the budgets for the Local Street Fund.

## OTHER MATTERS

We have submitted two copies of the audit report, the auditing procedures report, and this letter to the Michigan Department of Treasury, Local Audit Division.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

*Terry Hudgatch, CPA, P.C.*